

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department  
University of Louisiana at Monroe  
University of Louisiana System  
State of Louisiana  
Monroe, Louisiana

May 1, 2002



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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**ATHLETIC DEPARTMENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Monroe, Louisiana**

**Financial Statement and  
Independent Auditor's Report  
For the Year Ended June 30, 2001**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

May 1, 2002

**ATHLETIC DEPARTMENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Financial Statement and  
Independent Auditor's Report  
For the Year Ended June 30, 2001**

**CONTENTS**

	<b>Statement</b>	<b>Page No.</b>
Independent Auditor's Report on Applying Agreed-Upon Procedures		2
Financial Statement - Statement of Revenues and Expenditures (Unaudited)	A	8
Notes to the Financial Statement (Unaudited)		9



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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March 19, 2002

Independent Auditor's Report on  
Applying Agreed-Upon Procedures

**DR. JAMES E. COFER, SR., PRESIDENT**  
**UNIVERSITY OF LOUISIANA AT MONROE**  
**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
Monroe, Louisiana

We have audited the general purpose financial statements of the University of Louisiana at Monroe, a component unit of the State of Louisiana reporting entity, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 15, 2001. As requested by the university, we have also performed the procedures, as enumerated below, which were agreed to by management of the university. These procedures were applied to the accounting records and internal controls of the University of Louisiana at Monroe Athletic Department and to the related outside organizations created for or in behalf of the university's intercollegiate athletic programs for the year ended June 30, 2001, solely to assist the university in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of the University of Louisiana at Monroe. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

**STATEMENT OF REVENUES**  
**AND EXPENDITURES**

1. We obtained written representation from management as to the fair presentation of the Statement of Revenues and Expenditures of the intercollegiate athletic programs for the year ended June 30, 2001, as shown on Statement A. We also verified the mathematical accuracy of the amounts on the statement and agreed the amounts to the university's general ledger.

We found no exceptions as a result of these procedures.

## LEGISLATIVE AUDITOR

**DR. JAMES E. COFER, SR., PRESIDENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

Auditor's Report, June 30, 2001

2. We compared the Statements of Revenues and Expenditures of the intercollegiate athletic programs for June 30, 2001, and June 30, 2000, to identify variances of 20 percent or greater between individual revenue and expenditure accounts (line items) that are five percent or more of the total.

As a result of our procedure, we identified variances of 20 percent or greater in the following revenue and expenditure accounts, for which the university provided satisfactory responses:

Revenues

Game guarantees

Expenditures

Travel

Game guarantees

3. We compared the budgeted revenues and expenditures to actual revenues and expenditures for the year ended June 30, 2001, to identify any variances of 20 percent or greater in individual revenue and expenditure accounts (line items) that are five percent or more of the total.

As a result of our procedure, we identified variances of 20 percent or greater in the following revenue accounts, for which the university provided a satisfactory response:

Revenues

Gate receipts

Conference distribution -  
playoff proceeds

Expenditures

Operating services

Professional services

4. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constituted more than 10 percent of the total contributions.

No individual contributions were received by the athletic department that exceeded ten percent of total contributions.



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STATE OF LOUISIANA**

Auditor's Report, June 30, 2001

**INTERNAL CONTROL - POLICIES AND  
PROCEDURES RELATING TO INTERCOLLEGIATE  
ATHLETICS - AGREED-UPON PROCEDURES**

5. We made inquiries of management and obtained the university's organization chart, employee job descriptions, and written athletic department policies and procedures to identify aspects of internal control unique to the university's athletic department and to detect deficiencies in the components of those controls.

We detected no deficiencies in the components of the internal controls unique to the university's athletic department.

6. We performed tests of controls unique to the university's athletic department to determine adherence to established policies and procedures relating to revenues and expenditures:

- a. We randomly selected one football game and followed the ticket sales for this game through the university's cash control system.

We found no exceptions as a result of this procedure.

- b. We selected six check and journal voucher disbursement transactions and five scholarship disbursement transactions and followed them through the university's accounting system.

We found no exceptions as a result of this procedure.

- c. We conducted inquiries and observations of the athletic department personnel to determine their compliance with policies and procedures relating to the control and safeguarding of unsold tickets.

We found no exceptions as a result of this procedure.

- d. We compared the amount of state General Fund appropriation transferred to the Auxiliary Fund (Athletics) to determine compliance with the amount allowed by the Board of Regents.

We found no exceptions as a result of this procedure.

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UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

Auditor's Report, June 30, 2001

7. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletic programs.

No reports were issued by the internal auditor relating to the intercollegiate athletic programs.

8. We obtained the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's intercollegiate athletic programs to identify deficiencies in the design of those procedures.

We found no deficiencies in the design of the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's intercollegiate athletic programs. The University of Louisiana at Monroe Athletic Scholarship Foundation maintains its own accounts.

**EXPENDITURES OF OUTSIDE ORGANIZATIONS MADE  
FOR OR IN BEHALF OF THE UNIVERSITY OF LOUISIANA  
AT MONROE INTERCOLLEGIATE ATHLETIC PROGRAMS**

9. We obtained written representation from management of the university that the University of Louisiana at Monroe Athletic Scholarship Foundation was the only outside organization created for or in behalf of the athletic department.
10. We obtained the independent auditor's report for the University of Louisiana at Monroe Athletic Scholarship Foundation to identify any reportable conditions relating to the foundation's internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions (if any).

The financial statements of the University of Louisiana at Monroe Athletic Scholarship Foundation were audited by an independent certified public accounting firm for the year ended June 30, 2001. The audit report is dated October 5, 2001, and included no reportable conditions relating to the outside organization's internal control.



# LEGISLATIVE AUDITOR

DR. JAMES E. COFER, SR., PRESIDENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Auditor's Report, June 30, 2001

11. We obtained the Statement of Cash Receipts and Disbursements from representatives of the University of Louisiana at Monroe Athletic Scholarship Foundation and agreed the statement to the organization's accounting records. We also compared the cash disbursements made by the foundation for or in behalf of the athletic department to the revenues reported in the university's Statement of Revenues and Expenditures (Statement A) and identified reconciling items.

We found no exceptions as a result of this comparison.

12. We compared the direct payments from the University of Louisiana at Monroe Athletic Scholarship Foundation to the university with the revenues reported in the university's Statement of Revenues and Expenditures (Statement A) and identified the following reconciling items:

<u>Direct Payments</u>	<u>University's Statement of Revenues and Expenditures</u>	<u>Outside Organization's Independent Auditor's Report</u>	<u>Difference</u>
Travel (Autos)	\$75,600	\$61,200	\$14,400 (a)
Travel (Other)	5,000	5,100	(100)
Supplies	20,321	13,198	7,123
Operating services	196,208		196,208
Equipment	9,700	8,000	1,700
Professional services	10,700	3,200	7,500
Promotion activities	175,950	388,381	(212,431)
Total	<u>\$493,479</u>	<u>\$479,079</u>	<u>\$14,400</u>
Explanation of Differences - Autos:			
Reported by university -			
18 Autos x \$350 mo. x 12 months			\$75,600
Reported by outside organization -			
18 Autos x \$283.33 mo. x 12 months			<u>61,200</u>
Total			<u>\$14,400 (a)</u>

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenditures of the intercollegiate athletic programs. Accordingly, we do not express such an opinion. Also, we express no opinion on the University of Louisiana at Monroe's internal control over financial reporting or any

**LEGISLATIVE AUDITOR**

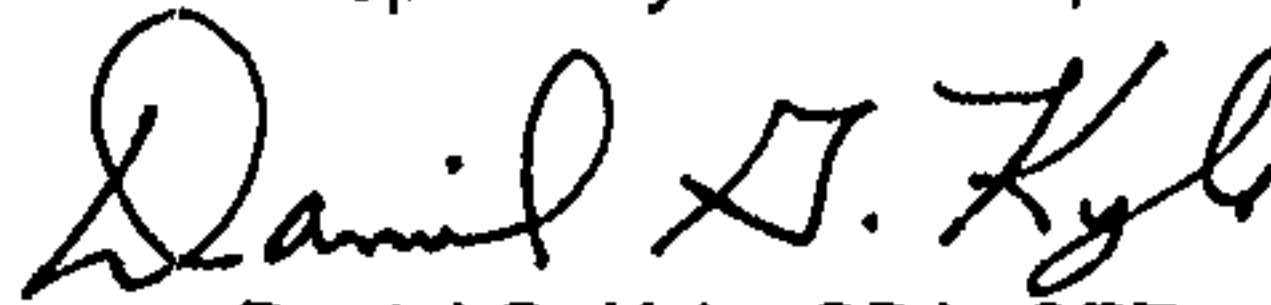
**DR. JAMES E. COFER, SR., PRESIDENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

Auditor's Report, June 30, 2001

part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the University of Louisiana at Monroe and is not intended to be, and should not be, used by anyone other than management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

CAC:WJR:DSP:dl

[ULMNCAA01]

UNAUDITED

Statement A

ATHLETIC DEPARTMENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
(A PORTION OF) CURRENT FUNDS -  
AUXILIARY ENTERPRISE FUND

Statement of Revenues and Expenditures  
For the Year Ended June 30, 2001

REVENUES

Transfer from state General Fund	\$2,176,901
Gate receipts	295,144
Game guarantees	1,305,070
Conference distribution	285,943
Vending and other	96,010
Contributions	600,159
Contributions-in-kind (note 2)	493,479
Total revenues	<u>5,252,706</u>

EXPENDITURES

Personal services:	
Salaries	2,095,386
Related benefits	386,020
Travel	746,011
Operating services	337,109
Supplies	439,388
Interest expense	99,392
Promotional activities	548,821
Professional services	245,331
Other charges:	
Awards	14,065
Game guarantees	436,100
Scholarships	1,079,043
Equipment	36,086
Total expenditures	<u>6,462,752</u>

EXCESS (Deficiency) OF REVENUES OVER  
EXPENDITURES (note 4)

(\$1,210,046)

The accompanying notes are an integral part of this statement.

**UNAUDITED**

**ATHLETIC DEPARTMENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statement  
For the Year Ended June 30, 2001

**INTRODUCTION**

The University of Louisiana at Monroe is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. The University of Louisiana at Monroe Athletic Department is a part of the University of Louisiana at Monroe. The accompanying financial statement presents information only as to the transactions of the University of Louisiana at Monroe Athletic Department.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FUND ACCOUNTING**

To observe limitations and restrictions placed on the use of available resources, the accounts of the University of Louisiana at Monroe are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

**Current Funds - Unrestricted**

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the auxiliary enterprise fund. The auxiliary enterprise fund includes the operating accounts of the athletic department.

**B. BASIS OF ACCOUNTING**

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

**Revenues**

Substantially all revenues are recognized when earned.

ATHLETIC DEPARTMENT  
 UNIVERSITY OF LOUISIANA AT MONROE  
 UNIVERSITY OF LOUISIANA SYSTEM  
 STATE OF LOUISIANA  
 Notes to the Financial Statement (Continued)

**Expenditures**

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized; (2) annual and sick leave are recognized when paid; (3) summer school tuition and fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (4) inventories of the Auxiliary Fund are recorded as expenditures when used.

**C. EMPLOYEE COMPENSATED ABSENCES**

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying statement when paid. These leave benefits are accrued and reported in the general purpose financial statements of the University of Louisiana at Monroe but are not accrued for reporting purposes in Statement A since compensated absences are not reportable at the department level and are deemed immaterial.

**2. CONTRIBUTIONS-IN-KIND FROM OUTSIDE ORGANIZATION**

Included in Statement A revenues and expenditures are payments made for or in behalf of the athletic department by the University of Louisiana at Monroe Athletic Scholarship Foundation as follows:

Travel	\$80,600
Operating services	196,208
Supplies	20,321
Professional services	10,700
Equipment	9,700
Promotion activities	<u>175,950</u>
Total	<u><u>\$493,479</u></u>



**ATHLETIC DEPARTMENT  
UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statement (Concluded)

**3. OUTSIDE ORGANIZATION CREATED FOR OR  
IN BEHALF OF THE UNIVERSITY OF LOUISIANA  
AT MONROE INTERCOLLEGIATE ATHLETIC  
PROGRAMS**

The University of Louisiana at Monroe Athletic Scholarship Foundation is the only outside organization created for or in behalf of the University of Louisiana at Monroe Intercollegiate Athletic Programs. The accounts are maintained within the University of Louisiana at Monroe Athletic Scholarship Foundation, which is a separate corporation audited by an independent certified public accounting firm.

**4. AUXILIARY ENTERPRISE (ATHLETICS)  
FUND DEFICIT**

The athletic department experienced a deficit of (\$1,210,046) as shown on Statement A. The university will eliminate the deficit over the next five years by:

Revenue Enhancements

- Reorganize athletic department to focus more attention on marketing programs and events
- Conduct a football campaign with a target of 15,000 season tickets
- Conduct the University of Louisiana at Monroe Athletic Scholarship Foundation campaign two months earlier than prior years and focus on higher levels of support
- Use the transfer of General Fund budget to the full extent allowed by the Board of Regents
- Anticipate 2002-2003 game guarantees to be \$300,000 greater than 2001-2002 guarantees
- Schedule one additional home football game in the 2002 season
- Use budgeted auxiliary enterprise transfers when financially feasible

Expenditure Reduction

- Reduce football travel by \$80,000 in 2002-2003
- Eliminate two full-time positions and two positions currently vacant
- Evaluate all sports and positions to determine long-term viability and need